International Journal of Managerial Studies and Research (IJMSR)
Volume 8, Issue 10, October 2020, PP 24-33
ISSN 2349-0330 (Print) & ISSN 2349-0349 (Online)
https://doi.org/10.20431/2349-0349.0810004
www.arcjournals.org

The Effect of Company Characteristics on Voluntary Disclosure with Corporate Governance as a Moderated Variables

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Abstract: *This study aims to analyze and explain the influence of corporate characteristics on voluntary disclosure. Characteristics of the company that tested in this study are five variables, including: profitability, liquidity, leverage, firm size, and the size of the Public Accounting Firm. Corporate governance serves as a moderating variable for being able to explain the effect of firm characteristics on voluntary disclosure. Sample used in this study are companies listed on the Indonesia Stock Exchange and following IICG survey in 2008-2011. Based on these criteria, 11 sample companies obtained. Data were analyzed using moderated regression analysis (MRA). The results showed that corporate characteristics do not affect the voluntary disclosure. Corporate governance also does not moderate the effect of firm characteristics on voluntary disclosure.*

Keywords: *Company Characteristics, Voluntary Disclosure, Corporate Governance*

1. INTRODUCTION

In the business world, information is the main source of economic decision making. Companies will be encouraged to disclose information related to the company's performance and prospects either voluntarily or not. The availability of important information that is needed by the users of the information is usually regulated by a regulator in a country. In Indonesia, the obligation to submit minimum information in the annual report of companies listed on the Indonesia Stock Exchange is regulated in Bapepam Rule Number X.K.6. In the Indonesian capital market, the level of compliance of companies related to mandatory disclosure is quite good, namely 88.89% (Diyanti 2010). Meanwhile, voluntary disclosure in Indonesia is still low, namely 33.71% (Yanuarto 2012). This low level of voluntary disclosure does not only occur in Indonesia but also in several other developing countries, as found by Barako (2007) in Kenya (11% -20%), Soliman (2013) in Egypt (31.92%) , Al-Shammari (2008) in Kuwait (15%), Bhasin et al (2012) in Khazastan (24.95%), Yuen et al (2009) in China (21.4%), and Hammami and Hossain (2009).) in Qatar (36.84%).

The existence of mandatory disclosure is not a limitation for companies to disclose more information to the public. The reason is that the mandatory disclosure in the annual report does not seem to give satisfaction to its users. The dissatisfaction that arises can be related to the existence of a gap between the disclosure of information provided by the company as an information maker and the expectations and expectations of information disclosure by users (Madhani 2007). Voluntary disclosure itself has many benefits, especially in overcoming problems that arise between investors and companies. The main benefit received by the company for carrying out this voluntary disclosure is the lower cost of company capital (Cheynel 2009; Putri 2013; Fahdiansyah 2013). Voluntary disclosure is also considered capable of reducing information asymmetry in companies and increasing the liquidity of company securities (Verrecchia and Diamond 1991). For investors, more disclosure of information can help reduce the risk of loss and increase accuracy in making investment decision.

Good capital market conditions are an indication that the company is performing well. This is an attraction for investors to invest in the capital market. Investors will try to find as much information as possible before making an investment decision. Companies with their characteristics will be encouraged to make more voluntary disclosures as a form of transparency and accountability to the public as well as showing the added value of the company.

Companies with high profitability will be encouraged to make more voluntary disclosures. This is done by company managers to maximize personal benefits through the managerial compensation they receive and to increase the overall value of the company (Barako 2007). This statement is also supported by the research of Almilia (2008), Widyaningsih (2011) and Soliman (2013). However, research by Al-Shammari (2008), Hammami and Hossain (2009), and Uyar et al (2013) did not find this evidence.

Liquidity can be viewed as a measure of management performance in managing company finances. Since investors and creditors are worried about the sustainability of the company in the future, companies with a high level of liquidity tend to make wider disclosures to outsiders as a form of signal to investors and creditors in the market. Research by Barako (2007) and Widyaningsih (2011) provides evidence of this positive influence.

Research related to corporate leverage has been conducted with different results. Barako (2007) and Al-Shammari (2008) found that leverage has a positive effect on voluntary disclosure. Companies that have a large amount of liabilities to external parties have a tendency to disclose more information in their annual reports, especially to fulfill contract requests that have been made with creditors. Meanwhile, Almilia (2008), Mujiyono and Nany (2010), and Aktharruddin et al (2009) actually did not find any influence between the level of leverage and the company's voluntary disclosure. Uyar et al (2013) even found a negative relationship between leverage and voluntary disclosure.

Company size as a form of company characteristics has been tested as a factor that affects voluntary disclosure, including research conducted by Barako (2007), Almilia (2008), Al-Shammari (2008), Hammami and Hossain (2009), Mujiyono and Nany (2010), Soliman (2013), and Uyar et al (2013). All of them show that firm size has a positive effect on voluntary disclosure. Some of the reasons for this statement are the fulfillment of requests for more information by interested parties (Hammami and Hossain 2009), the company's dependence on funds from investors and creditors, greater costs and political pressure (Almilia 2008), and the ability companies to produce various types of information at a lower cost of producing information (Barako 2007 and Al-Shammari 2008). However, research conducted by Murcia and Santos (2010) did not find any effect of company size on voluntary disclosure.

Big Four KAP is an example of a KAP that is considered capable of producing quality audit reports and meeting the satisfaction of external users. One aspect of the resulting quality is the delivery of more information which is useful in making economic decisions. Research conducted by Barako (2007) and Al-Shammari (2008) shows a positive effect of KAP size on voluntary disclosure by companies. Meanwhile, Soliman (2013) in his research did not find any effect of KAP size on voluntary disclosure

Apart from company characteristics, voluntary disclosure practices can also be influenced by corporate governance (Barako 2007; Yuen et al 2009; Akhtarruddin et al 2009; Clemente and Labat 2009; Bhasin et al 2012; Darmadi and Sodikin 2013; and Uyar et al 2013). The existence of independent commissioners among the board of commissioners can encourage voluntary disclosure because they have more interest in all shareholders as well as high expertise and experience (Yuen et al 2009; Akhtaruddin et al 2009; Clemente and Labat 2009; and Bhasin et al 2012). The existence of an audit committee also has a positive effect on companies to make voluntary disclosures (Barako 2007).

Company characteristics and corporate governance are an integral part of corporate practice. However, research that links company characteristics, corporate governance and disclosure is still rare. Darmadi and Sodikin (2013) research shows how one of the roles of corporate governance mechanisms, namely the institutional ownership structure, can improve disclosure practices in family-controlled companies. Companies of this type have little incentive to disclose voluntary information, so that information asymmetry cannot be mitigated (Akhtaruddin et al 2009).

This study aims to examine the effect of company characteristics on voluntary disclosure in public companies in Indonesia. Corporate governance is a factor that is considered capable of explaining the relationship between company characteristics and voluntary disclosure. This is because good corporate governance is able to increase company transparency and accountability, thus encouraging companies to make more voluntary disclosures. Good corporate governance can include quality in the following components: Financial reports, general meeting of shareholders, board of commissioners, directors, independent commissioners, and audit committee (Wibowo 2010). In contrast to Darmadi and Sodikin (2013) research, this study does not use several corporate governance mechanisms but one measurement, namely overall corporate governance.

2. Literature Review

In simple terms, disclosure can be defined as the release of information. If viewed from the mandatory disclosure, disclosures can be divided into two, namely mandatory disclosures and voluntary disclosures. Mandatory disclosure is the disclosure of information by an issuer that is regulated by a country's capital market regulations. Meanwhile, voluntary disclosure is the disclosure of information voluntarily provided by the issuer outside of mandatory disclosure. In business activities, investors need precise and accurate information in order to reach effective investment decisions. This information can be obtained from various sources, one of which is the company's annual report (Binh 2012). Annual reports communicate financial and non-financial information to shareholders, creditors, government, investors, and other interested parties (Barako 2007; Mujiyono and Nany 2010).

Company characteristics are the characteristics inherent in the company and differentiate between one company and another. In previous studies, many company characteristics were associated with variables such as profitability, liquidity, leverage, company size, and KAP size (Barako 2007; Almilia 2008; Al-Shammari 2008; Hammami and Hossain 2009; Mujiono and Nany 2010; Murcia and Santos 2010; Soliman 2011; Widyaningsih 2011; and Uyar et al 2013). The difference in values held by these variables between one company and another can be a characteristic and a differentiator from other companies. The value that is held in the characteristic variables of this company is also an attraction for investors because it is able to show the condition and prospects of the company in the future.

Several theories have been used to explain the phenomenon of voluntary disclosure by companies including its relation to company characteristics. From the perspective of capital need theory and signal theory, management with good company performance will be encouraged to promote to investors through more voluntary disclosure (Uyar et al 2013). Disclosure of information in a company's annual report can be used as a strategic tool to increase the company's ability to raise capital at the lowest cost level (Lev 1992; Healy and Palepu 2001 in Bhin 2012). In addition, firm value is strongly influenced by the extent of disclosure made. Currently investors and creditors are not only interested in financial information such as profitability, liquidity, and the like, but also in assessing non-financial information such as information related to employees, remuneration for directors and commissioners, social responsibility, and internal stock transactions (Bhasin et al 2012) . Therefore, companies are more motivated to provide more private information as a form of signal related to company value and increase the chances of obtaining funding from investors.

Selection of KAP can also be a signal from the company to the public. The company will choose a quality KAP to show that the company's annual report, including its financial statements, can be trusted by investors. Companies really need investor confidence in seeking external funding. With its audit quality and independence, large KAP will also strive to maintain its reputation by encouraging the company to disclose more information.

From the perspective of agency theory, managers will make more voluntary disclosures to demonstrate their performance to shareholders. In addition to the motive for obtaining managerial compensation, this is also done to gain the trust of the company owner (Soliman 2013). Disclosure helps shareholders and other interested parties in the market to better manage their strategies. Investors are able to buy and sell stocks accurately thanks to the help of proper information disclosure by the company. In companies with a high degree of leverage, the agency costs that must be borne by managers to the liability holders will be higher so that managers will disclose more voluntary information to provide a sense of security to the company's liability holders (Al-Shammari 2008). The agency cost problem is also getting bigger in larger companies (Barako 2007). Large companies usually have more interests with external parties so that managers must be able to reduce the problem of information asymmetry and meet public expectations through more voluntary disclosure (Uyar et al 2013).

The demand for financial and non-financial information published by companies in various countries has been increasing in recent times. This is driven by the increasing attention of users of this company's annual report compared to before. Unfortunately, the disclosures made by the company do not fully meet the needs of users because some managers tend to prefer to think about their interests in deciding the types of information to be disclosed to the public. Thus, the gap between expected disclosures and disclosures that should be widening (Rouf 2011).

Agency theory explains that the company structure that separates the owner and the agent who manages the company can cause its own problems, one of which is the asymmetry of information. This is where a special mechanism is needed, namely good corporate governance to continue to encourage company management to make more voluntary disclosures. The more disclosures made by the company, the more transparent the company will be to investors. Thus the information asymmetry will be lower and the company will be more trusted (credible) in the market (Soliman 2013).

Despite realizing the importance of good corporate governance, many parties report that the application of this principle in companies is still very low. Many companies apply it only to avoid sanctions from market authorities without considering the importance of applying these principles as part of the company culture (Wibowo 2010). There are two obstacles that cause companies in Indonesia to be unable to implement good corporate governance, namely internal constraints and external constraints. Internal constraints are constraints that arise from within the company. Meanwhile, external constraints can be related to the application of legal instruments, rules and law enforcement.

3. METHODOLOGY RESEARCH

This research uses secondary data. The data source for the company's annual report is used and obtained through the company's official website and the Indonesia Stock Exchange (BEI). Data on the Corporate Governance Perception Index (CGPI) were obtained from the Indonesian Institute for Corporate Governance (IICG). The population in this study are companies listed on the Indonesia Stock Exchange (BEI). The sampling technique used was purposive sampling with the following criteria:

1. The company was listed on the IDX in 2008-2011

2. The company was included in the IICG survey in 2008-2011

The number of final samples that meet to be analyzed using panel data is 11 companies. With a period of 4 years (2008-2011), 44 observational data were obtained. The data analysis technique used in this research is Moderated Regression Analysis (MRA). The regression equation used is as follows:

$$VDI = \alpha + \beta 1\ ROE + \beta 2\ CR + \beta 3\ DTA + \beta 4\ SIZE + \beta 5\ KAP + \beta 6\ CGPI + \beta 7\ ROE{*}CGPI + \beta 8\ CR{*}CGPI + \beta 9\ DTA{*}CGPI + \beta 10\ SIZE{*}CGPI + \beta 11\ KAP{*}CGPI + \varepsilon$$

Information:

VDI : Voluntary Disclosure Index

A : Constant

β1- β11 : Independent variable regression coefficient

ROE : Return On Equity

CR : Current Ratio

DTA : Debt to Total Asset Ratio

SIZE : Company Size Logn

KAP : KAP size

CGPI : Corporate Governance Perception Index (Perception Index of Corporate Governance)

E : error

The dependent variable in this study is voluntary disclosure. Voluntary disclosure is the disclosure of information that is voluntary by the company without being required by applicable regulations or disclosure beyond what is required. This variable is measured using the formula:

$$Voluntary\ disclosure\ index\ \frac{Actual\ Voluntary\ Disclosure}{Maximum\ Value\ of\ Voluntary\ Disclosure}$$

The independent variable in this study is represented by five variables. The following are the measurements used for each variable:

1) Profitability is measured using the ratio of return on equity (ROE). Return on equity is the company's ability to get a return on the amount of equity owned by the company. ROE value is measured by the formula:

Return on Equity (ROE) = $\frac{Net\ Income}{Total\ Equity}$

2) Liquidity is simply a company's ability to meet its short-term obligations. Liquidity as an independent variable can be measured using the current ratio (CR). The CR value is obtained by the formula:

$$Current\ Ratio\ (CR)\frac{Current\ Assets}{Current\ Liabilities}$$

3) Leverage is the company's ability to pay the company's liabilities using assets owned by the company. The leverage variable can be measured in several ways, one of which is the Debt to Total Asset Ratio (DTA). The value of DTA is measured by the formula:

$$Debt\ to\ Total\ Assets\ Ratio\ (DTA)\frac{Total\ Liabilities}{Total\ Assets}$$

4) The size of the company shows how much the company's wealth can be measured by the natural logarithm (Logn) of the company's total assets. The use of logn values is intended to avoid the problem of natural data that are not normally distributed.

5) The bigger the KAP, the higher the quality of the resulting audit. Measurements were made using a dummy variable, where companies audited by the Big Four KAP (Pricewaterhouse Cooper, Ernst & Young, KPMG, and Deloitte) will be given a score of 1, and vice versa companies audited by non-Big Four KAP will be given a score of 0.

Moderating variables are variables that moderate (strengthen and weaken) the influence between the independent and dependent variables. The measure of the moderating variable in this study is the Corporate Governance Perception Index (CGPI). CGPI is a research and ranking program for the implementation of corporate governance in Indonesia. CGPI is one of the initiatives to encourage the enforcement of good corporate governance in Indonesia through an assessment of the implementation of good corporate governance in companies. The CGPI value of each company can be seen in the CGPI report published by IICG every year.

4. Results and Discussions

After the data has passed the classical assumption test, the regression model can be used to answer the research hypothesis through a partial test (t test). Based on the t test, the variables of profitability, liquidity, leverage, company size and size of KAP have no effect on voluntary disclosure. That is, company characteristics have no effect on voluntary disclosure. There is also no influence on the interaction variable between corporate governance and company characteristics. So it can be said that corporate governance does not moderate the effect of company characteristics on voluntary disclosure. The resulting coefficient of determination (Adjusted R2) is 0.678. This means that the contribution or contribution of the independent variables in the regression model used for the dependent variable is about 67.8%. While the rest (around 32.2%) was contributed by other variables. Descriptive statistics and the results of moderated regression analysis (MRA) can be seen in the appendix.

4.1. Effect of Profitability on Voluntary Disclosure

The results showed that profitability had no effect on voluntary disclosure. The higher the company's profitability, it turns out that it does not necessarily lead to more voluntary disclosure practices. A high company performance may increase the compensation for managers, but on the other hand, the company's targets and expectations in the future will be higher so that managers will try to keep a low profile in the eyes of investors. In addition, it is possible for managers to hide information for personal gain, namely through insider trading (Healy and Palepu 2001).

Companies with a low level of profitability, on the other hand, are also encouraged to make more voluntary disclosures, considering that this additional information is expected to attract investors through consistent disclosure of information to the public. In addition, managers make voluntary disclosures to explain to investors the reasons for the company's poor performance (Healy and Palepu 2001).

The results of this study are consistent with research conducted by Al-Shammari (2008), Hammami and Hossain (2009) and Uyar et al (2013) which found no evidence of the effect of profitability on voluntary disclosure but it is not in line with the research of Barako (2007), Almilia (2008), Widyaningsih (2011) and Soliman (2013) who found a positive effect of profitability on voluntary disclosure. Hammami and Hossain (2009) state that the empirical results regarding the effect of performance on voluntary disclosure are still mixed and may be influenced by the cost of making information by companies. Uyar et al (2013) relate the results of their research to one of Healy and Palepu's (2001) hypotheses, namely the proprietary cost hypothesis. In this hypothesis, it is explained that managers will not use voluntary disclosure if they think that the specific information is too valuable to be released.

4.2. Effect of Liquidity on Voluntary Disclosure

The level of liquidity does not appear to influence company management in making more voluntary disclosures. Different types of industries make the level of liquidity between companies and companies different. Therefore, management does not feel the need to consider disclosing more information through its liquidity advantage. The company's own liquidity ratio can fluctuate from year to year, so managers will be careful in releasing voluntary information to prevent the negative impact of unstable conditions, especially in global markets.

The results of this study do not support the research conducted by Barako (2007) and Widianingsih (2011) where there is an effect of liquidity on voluntary disclosure. Company liquidity is an indicator of company performance whose value can change every year due to the influence of internal and external factors such as the value of profitability. Company managers will be careful before making more voluntary disclosures to avoid litigation, especially by creditors (Healy and Palepu 2001). The results of various studies in various countries show that the effect of firm performance (profitability and liquidity) on voluntary disclosure is still mixed (Ahmed and Courtis, 1999).

4.3. The Effect of Leverage on Voluntary Disclosure

Based on the results of this study, corporate leverage has no effect on voluntary disclosure. Firms with high leverage do not necessarily make more voluntary disclosure. The reason is that companies with high levels of leverage are highly dependent on creditors. Not all of the disclosure of information made by companies is a favorite, so companies with high leverage will try to withhold such disclosure to avoid the risk of misunderstanding in interpreting company information. On the other hand, a company with a low level of leverage can be motivated to disclose more information to show creditors the structure of funding in the company and to open up opportunities for funding from creditors.

The results of this study do not support the research conducted by Barako (2007) and Al-Shammari (2008) which found a positive effect of leverage on voluntary disclosure. Even Uyar et al (2013) found a negative effect of leverage on voluntary disclosure. The results of this study are similar to research conducted by Mujiyono and Nany (2010), Almilia (2008), and Akhtarruddin et al (2009).

4.4. The Effect of Company Size on Voluntary Disclosure

Most of the research results show that the bigger the company, the more voluntary disclosures will be made. However, the results of this study indicate that firm size has no effect on voluntary disclosure.

The main reason why large companies do not always disclose more voluntary information is that companies pay more attention to fulfilling mandatory information than voluntary information. The bigger the company, the more supervision from the parties with an interest in the company. Large companies are also faced with tighter regulations by regulators. Failure to demonstrate company transparency and accountability can threaten the company's future sustainability. Another reason is that companies deliberately do not disclose information because they think the information is too valuable to be released or it could affect the company's competitive position in the market (Healy and Papelu 2001).

The results of this study do not support the research of Barako (2007), Almilia (2008), Al-Shammari (2008), Hammami and Hossain (2009), Mujiyono and Nany (2010), Soliman (2013) and Uyar et al (2013). The results of this study are similar to the research conducted by Murcia and Santos (2010) which found no effect of company size on voluntary disclosure.

4.5. Effect of KAP Size on Voluntary Disclosure

Big four KAP has not been able to influence voluntary disclosure practices by companies. Managers may only use the services of big four accounting firms as compensation to increase company value through more reliable and quality financial reports. Therefore, managers do not feel the need to disclose more voluntary information.

Big four KAP is also unable to improve voluntary disclosure practices in companies. The company's annual report does include the financial statements audited by the KAP, however, the KAP's authority seems to be limited to that. The policy for voluntary disclosure of information remains with the manager. KAP will also be more careful in providing recommendations to companies related to company management due to restrictions on services provided.

The results of this study are different from those of Barako (2007) and Al-Shammari (2008) which prove that there is a positive effect of KAP size on voluntary disclosure, but in accordance with research conducted by Soliman (2013) which found no evidence of the effect of KAP size on voluntary disclosure. Soliman (2013) also realizes that there are limitations on the duties of auditors which are more directed at disclosing mandatory information and there is no obligation for auditors to encourage their clients to disclose information more than required.

4.6. Corporate Governance in Moderating the Effect of Profitability on Voluntary Disclosure

Based on the results of this study, the corporate governance variable did not moderate the effect of profitability on voluntary disclosure. Although the corporate governance mechanism is able to create a healthier and more competitive company, the company's performance will not always be good. The company's performance is also heavily influenced by external factors such as regional economic conditions, availability of raw materials, and distribution networks. The role of good corporate governance will help the company's internal functions more so that it can survive in difficult conditions. In addition, even though they do not have good corporate governance, there are still many companies that are able to generate high levels of profitability.

4.7. Corporate Governance in Moderating the Effect of Liquidity on Voluntary Disclosure

Corporate governance is unable to moderate the effect of liquidity on voluntary disclosure. Although it has a role in financial management, especially regarding the fulfillment of the company's short-term obligations, corporate governance does not guarantee managers to disclose more voluntary information. As is well known, the company's liquidity from time to time can be unstable and is greatly influenced by various factors, especially regional or global economic conditions. In addition, the fulfillment of short-term obligations is a routine activity for any company, especially in a market that is tightly regulated so that companies should be required to be able to maintain their level of liquidity in accordance with their industry.

4.8. Corporate Governance in Moderating the Effect of Leverage on Voluntary Disclosure

Companies with a high degree of leverage will strive to maintain relationships with creditors through the implementation of good corporate governance. Good corporate governance can increase transparency so it is hoped that voluntary disclosure will increase. However, the results of this study indicate that corporate governance is not able to moderate the effect of leverage on voluntary disclosure.

Company funding through liabilities does provide more benefits, but equity funding seems more promising for companies listed on the stock market. Corporate governance itself is a mechanism used by companies to be able to increase the company's internal strength and some of the parties involved are shareholders. Therefore, corporate governance may prioritize a balance between external and internal funding. Too dependent on one of these funds seems to cause problems for the company, especially when economic conditions are not good.

4.9. Corporate Governance in Moderating the Effect of Company Size on Voluntary Disclosure

The bigger the company, the better the implementation of corporate governance. Transparency will also be encouraged given the large amount of supervision on large companies from various parties. The results of this study indicate that corporate governance has not been able to moderate the effect of company size on voluntary disclosure. Even though it helps companies produce more and better information, corporate governance seems to pay more attention to mandatory disclosures.

Another reason is that corporate governance has a function to improve company performance and transparency in both small and large companies. However, usually the effectiveness of corporate governance can be influenced by the size of the company. Large companies tend to have better and more effective corporate governance than small companies. So that even though they both have corporate governance, due to differences in the level of effectiveness, in the end corporate governance is not able to encourage companies to be more transparent in disclosing information.

4.10. Corporate Governance in Moderating the Effect of KAP Size on Voluntary Disclosure

The selection of KAP is one of the policies that can demonstrate the role of good corporate governance. The audit committee and the board of commissioners have a major role in determining which KAP to audit the company independently. The more qualified the appointed KAP, the better the quality of the reports produced. The results of this study indicate that corporate governance has not been able to moderate the effect of KAP size on voluntary disclosure.

Although the company's audit committee has selected auditors from large public accounting firms, the quality of disclosure in the company's annual report has not necessarily improved. This is because KAP is maintaining its integrity in providing services according to the type of engagement performed. In addition, the regulation regulates restrictions on the selection of services in one KAP by a company for 5 years. Good corporate governance will encourage companies to depend more on the internal functions of the company than the KAP in improving the quality of information disclosure that they do, especially regarding voluntary disclosure of information.

Good corporate governance mechanisms will encourage managers to improve the quality of their annual reports in proportion to the quality of financial reports audited by big four KAP. Likewise for companies that are not audited by the big four KAP. Even though the audit quality of the financial statements produced is not as good as the big four KAP, good corporate governance mechanisms will still encourage companies to improve the quality of their annual reports through more voluntary disclosure.

5. Conclusion

Based on the results of this study, it can be concluded that Profitability and Liquidity as company characteristics have no effect on voluntary disclosure. Company managers know that the level of company profitability and liquidity is volatile, especially when economic conditions are uncertain. The era of information disclosure has encouraged company managers to make more voluntary disclosures related to the condition of the company when the performance is good or bad.

Leverage, company size, and KAP size also have no effect on voluntary disclosure. Companies with high leverage will be more careful in making voluntary disclosures to avoid the risk of errors in interpreting information by users, especially creditors. While large companies, even though they have the ability to produce more information, managers pay more attention to mandatory disclosure of information than voluntary disclosure to avoid sanctions from regulators and to maintain the company's reputation and accountability in the eyes of the public. Limits in providing services to the number of clients being audited make KAP more selective before engaging in engagement and in carrying out engagements with its clients. Big four KAP will tend to choose large clients who usually already have a good internal control system, especially in terms of information disclosure. Thus, the function of KAP in improving voluntary disclosure practices will also be difficult to achieve.

Corporate governance does not moderate the effect of company characteristics on voluntary disclosure. It seems that corporate governance encourages the practice of disclosing mandatory information, considering that this information is the minimum useful information for investors in making decisions. Disclosure that exceeds what is required is an option for managers and as long as it does not conflict with the implementation of good corporate governance, managers can use it as a form of corporate strategy. In many previous studies, corporate governance mechanisms have had a positive effect on voluntary disclosure. Therefore, the corporate governance variable seems to function more as an independent variable than as a moderating variable.

This research takes the object of research on companies listed on the IDX and follows the CGPI survey organized by IICG. Considering that the CGPI survey is not an obligation for companies listed on the IDX, there are still many companies that have not participated in this survey. Therefore the sample in this study is relatively small. It is hoped that further research in re-examining this study uses a greater amount of data so that the results obtained can be better and more representative of the research object.

This study also limits the company's voluntary disclosure practices to annual reports only. The company may have made voluntary disclosures through other media either through digital media (television, internet and radio) or printed media (newspapers, magazines and other publications). Future research could also consider using various media such as company websites and other company publications in addition to company annual reports in identifying the existence of voluntary disclosures made by companies.

Finally, the voluntary disclosure index used in this study is compiled based on the results of previous studies. Future research is expected to involve various parties from academics to practitioners in compiling voluntary disclosure items. This is intended to make the voluntary disclosure index compiled more credible and accurate so that the gap between information producers and information users can be reduced.

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Citation: *Jaka Ardinata Rahman, Rosidi, Aulia Fuad Rahman. "The Effect of Company Characteristics on Voluntary Disclosure with Corporate Governance as a Moderated Variables" International Journal of Managerial Studies and Research (IJMSR), vol 8, no. 10, 2020, pp. 24-33. doi: https://doi.org/10.20431/2349-0349.0810004.*